

How Urgent Care Centers Can Position Themselves For Continued Growth After COVID-19

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Demand for urgent care services has increased over the last few years due to increased awareness of urgent care centers following the COVID-19 pandemic, as well as shifting consumer preferences and payor steerage toward urgent care over alternative care settings. Although increased demand has led to some saturated markets, expansion of service offerings, such as primary care add-ons and joint ventures with hospitals, positions the urgent care market for continued growth.

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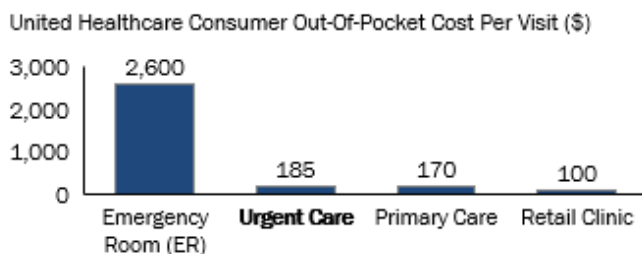


I. Evolving Consumer Preferences

When experiencing an urgent medical issue, consumers are increasingly likely to go to urgent care compared to an emergency room or primary care provider (PCP) due to cost dynamics, wait times, and the relative convenience of locations. Following the COVID-19 pandemic, consumers have been more aware of and comfortable with urgent care centers as an alternative to emergency rooms and PCPs. Heightened utilization during COVID increased consumer awareness of urgent care as a convenient access point with much shorter wait times than PCP offices.

Insurance coverage/cost and distance to the consumer are the leading factors that play a role in a consumer's selection process, followed by factors such as wait times, ancillary services, the ability to see a physician versus alternative practitioners, and clinical reputation.

While total consumer costs per visit vary based on employer, payor product, and network status, urgent care co-pays generally range up to \$100 and have deductibles waived while ER co-pays are up to \$500 in addition to deductible costs.



Source: UnitedHealthcare Consumer Out-Of-Pocket Cost Comparison (2023), BCBS, Journal of Urgent Care Medicine, Marwood Market Research

II. Growth Opportunities

According to the Urgent Care Association, there are currently over 14,000 urgent care centers in the U.S., and the current growth rate for new centers is 7%.¹ However, the rapid growth of urgent care centers in recent years has led to increased competition in urban and metropolitan areas, making these markets relatively oversaturated compared to rural and medically underserved areas. Beyond geographical expansion into unsaturated markets with relatively limited access to care, urgent care centers can incorporate additional on-site services such as primary care add-ons and joint ventures with hospitals to attract and streamline capture of additional business and codes billed per visit at urgent care centers.

Urgent care centers can leverage the consumer appeal to on-demand care by making primary care available at convenient locations with flexible hours. By offering primary care services (such as physicals, chronic disease management, and specialist referrals), urgent care centers can attract a growing and diversified patient base who are likely to utilize services not only in an acute emergency but also on a more regular, consistent basis.

Joint ventures with hospitals may also position urgent care centers on a growth trajectory, as these partnerships usually lead to urgent care centers becoming co-branded with the hospital entity, which boosts the visibility and reputation of the urgent care centers within a unified network. Hospitals understand the crucial role urgent care centers play in facilitating consumer access

¹ Urgent Care Association

to care, which has led many of them in recent years to acquire or partner with urgent care facilities to decrease market competition and act as a channel for their specialty care services and voluminous source of referrals. Additionally, joint ventures allow urgent care centers access to capital to fuel future growth opportunities through geographic expansion and elevated levels of urgent care services.

While other settings can offer similar services, urgent care offers a strategic balance of services, operating hours, low wait times, and cost relative to value.

III. Commercial Payor Dynamics

The payor mix for urgent care leans heavily commercial, and commercial payors view urgent care centers as offering valuable services to members by preventing unnecessary trips to the emergency room. Marwood analysis of surveyed payors indicated that nearly 40% of ER visits could have been treated in an urgent care center. To continue encouraging urgent care utilization, payors intend to continue to steer care to urgent care centers, when clinically possible, through member education and outreach, as well as through financial disincentives in the form of higher co-pays for ER visits. While some payors would prefer that more members use PCPs as opposed to urgent care centers, they acknowledge that steerage is difficult as many commercial members do not have a PCP who they see regularly. Additionally, PCPs do not have the same availability as urgent care centers.

Investors should be mindful of health plan contracting and reimbursement dynamics to understand how providers are evaluated in the urgent care sector. Although there is a

saturation of urgent care providers in large metropolitan areas and more urban areas of the country, payors will continue to contract with new urgent care providers in order to continue to expand member access and avoid long wait times or overcrowding in existing centers.

Urgent care providers typically contract under a fee-for-service (FFS) or case rate model. Urgent care FFS rates are likely to increase over the next 3 years as payors adopt the 2021 Medicare increases to E/M codes. Though per visit case rates have become more prevalent over time, the impact of the transition to case rates depends on how revenue per visit under a FFS methodology compares to what a payor is willing to reimburse under a case rate. For example, if revenue per visit is higher due to a greater proportion of higher-level E/M codes being billed and/or more expensive ancillary services being performed, then the transition to case rates may not be as beneficial for reimbursement.

IV. State Regulatory Environment

States are the primary regulators of urgent care providers. However, most states neither require urgent care providers to be licensed nor require them to meet Certificate of Need requirements in order to operate. States generally allow centers to operate under either an individual physician's license or, when affiliated with a hospital, under a hospital's license.

Urgent care centers face some state regulatory headwinds posed by physician supervision requirements on mid-level practitioners, such as Nurse Practitioners (NP). From a staffing perspective, the urgent care sector is heavily reliant on the care

V. Conclusions/Future Considerations

Due to oversaturated markets, however, understanding the competitive landscape and market dynamics, in addition to payor and regulatory dynamics, is crucial in identifying future growth opportunities. Marwood's extensive experience in payor dynamics and state-level legislative considerations provide a strong foundation to our capability to explore strategic considerations of landscape and competition, providing a 360° view of target market access considerations.



² National Conference of State Legislature Scope of Practice Policy

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